

Message Text

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ACTION NEA-10

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SUBJECT: IRAQI 1976-80 FIVE-YEAR PLAN AND U.S.-IRAQI

COMMERCIAL RELATIONS

1. SUMMARY. MINISTRY OF PLANNING OFFICIAL SAID THAT IRAQI 1976-80 FIVE-YEAR DEVELOPMENT PLAN WOULD BE ANNOUNCED SHORTLY AND THAT IT WOULD SET PRIORITIES AND TARGETS BUT NOT LIST SPECIFIC PROJECTS. HE CITED AGRICULTURE, FOOD PROCESSING, AND COMPUTERS AS FIELDS IN WHICH THE GOI WOULD PARTICULARLY WELCOME PARTICIPATION BY US BUSINESS. END SUMMARY.

2. DR. QUTAIBA AL-KHAYATT, COUNSELLOR, CENTRAL FOLLOW-UP AUTHORITY, MINISTRY OF PLANNING, TOLD USINT OFFICER THAT THE IRAQI FIVE-YEAR DEVELOPMENT PLAN WOULD BE ANNOUNCED SHORTLY AFTER A FEW CHANGES RESULTING FROM A RECENT FIVE-HOUR PLANNING BOARD MEETING CHAIRED BY RCC VICE CHAIRMAN SADDAM HUSSEIN HAD BEEN COMPLETED. THE PLAN, HE SAID, WILL NOT LIST PROJECTS BUT GIVE PRIORITIES AND SET TARGETS. REFLECTING COMMENTS BY SADDAM IN
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OCTOBER 1976 VISIT TO PLANNING MINISTRY (SEE 76 BAGHDAD 1658), THE PLAN WILL GIVE PRIORITY TO AGRICULTURE, EDUCATION, PUBLIC HEALTH, AND TRANSPORTATION AND COMMUNICATIONS. IN THE INDUSTRIAL SECTOR, THE PLAN WILL EXPAND GOI PARTICIPATION IN THE CONSTRUCTION AND FOOD PROCESSING INDUSTRIES, NOW MAINLY IN THE PRIVATE SECTOR. TO IMPROVE THE DISTRIBUTION OF GOODS TO

CONSUMERS, THE GOI WILL END MOST OF THE GOVERNMENT'S RETAILING OPERATIONS.

3. QUTAIBA REFUSED TO GIVE ANY SPECIFIC FIGURES FOR EITHER OVERALL OR SECTORAL ALLOCATIONS IN THE PLAN, BUT SAID THE PLAN WOULD INCLUDE SPECIFIC GOALS, E.G., TARGET FIGURES FOR INCREASES IN CEMENT PRODUCTION, ARABLE AND IRRIGATED ACREAGES, AND LITERACY. HE EMPHASIZED THAT THESE GOALS "MUST BE ACCOMPLISHED BY 1980."

4. ASKED WHETHER THE ANNOUNCEMENT OF THE PLAN WOULD END THE GENERAL "HOLD" PLACED ON MANY GOI MAJOR PROJECTS SINCE APRIL 1976, QUTAIBA GAVE NO CLEAR ANSWER. HE SAID THAT A YEAR AGO THE GOI HAD INITIATED THE "HOLD" BECAUSE IT HAD THOUGHT THAT THE GENERAL ECONOMIC BOOM IN THE ARAB OIL-PRODUCING STATES HAD INFLATED PRICES TO UNREASONABLY HIGH LEVELS; MOREOVER, THE GOI ALSO HAD NEEDED TIME TO RETHINK MUCH OF ITS FIVE-YEAR-DEVELOPMENT PLAN. NOW THAT THE PLANNING PROCESS WAS NEARLY COMPLETE, HE IMPLIED THAT THE PACE OF IMPLEMENTATION OF MANY PROJECTS MAY DEPEND ON WHETHER BIDS WERE NEARER IRAQI EXPECTATIONS.

5. IN REGARD TO FINANCING, HE SAID THAT FUNDING OF THE PLAN HAS NEVER BEEN A PROBLEM AND DENIED THAT THE DECLINE IN OIL REVENUE DURING THE FIRST PART OF 1976 HAD PRECIPITATED THE "HOLD". HE SAID THAT THE GOI EXPECTED TO CONTINUE TO FINANCE MOST PROJECTS ITSELF, LIMITED OFFICIAL USE

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BUT "THAT SITUATION COULD CHANGE".

6. ASKED ABOUT THE ROLE HE FORESAW FOR US AND WESTERN BUSINESS IN IRAQI DEVELOPMENT, HE SAID THAT OFFERS FROM ALL COUNTRIES WOULD BE EVALUATED IN TERMS OF PRICE AND MERIT. HE NOTED THAT BIDS FROM US AND WESTERN EUROPEAN FIRMS FREQUENTLY HAVE BEEN MUCH HIGHER THAN THOSE FROM OTHER COUNTRIES. HE CITED THE FACT THAT IN 1976 THE GOI HAD AWARDED MAJOR PROJECTS TO YUGOSLAV FIRMS (DUJAILA INTEGRATED FARMING PROJECT AND THE HAREEN DAM), TO A TURKISH FIRM (KHALIS I FARMING PROJECT) AND A PAKISTANI FIRM (KHALIS II FARMING PROJECT). IN REGARD TO US FIRMS HE SAID THAT THE GOI WOULD PARTICULARLY WELCOME US PARTICIPATION IN AGRICULTURAL PROJECTS, THE FOOD PROCESSING INDUSTRY, AND THE COMPUTER FIELD. HE THEN GAVE USINT OFFICER A COPY OF GOI SPECIFICATIONS FOR A COMPUTERIZED PROGRAM TO FOLLOW GOI DEVELOPMENT PROJECTS (SEE BAGHDAD 723).

7. OFFICIAL ASKED USINT OFFICER FOR AN EXPLANATION OF U.S. BOYCOTT REGULATIONS. USINT OFFICER SUMMARIZED CURRENT REGULATIONS AND SAID THAT IT WAS HIGHLY PROBABLE THAT CONGRESS WOULD PASS NEW LEGISLATION IN THE NEXT FEW WEEKS. WHEN ASKED WHETHER IRAQI BOYCOTT REGULATIONS NOW APPEARING IN MOST GOI SUPPLY TENDER DOCUMENTS WOULD BE APPLIED TO HIGH TECHNOLOGY, BIG-TICKET ITEMS AND TO MAJOR PROJECTS, QUTAIBA SAID THAT IRAQI GOVERNMENT IS "INCLINED" TOWARD STRICT ENFORCEMENT OF BOYCOTT CONDITIONS ACROSS THE BOARD BUT THAT "EACH CASE WOULD DEPEND ON THE CIRCUMSTANCES".

8. QUTAIBA SAID THAT IRAQI GOVERNMENT MAY GRADUALLY MOVE AWAY FROM FIXED-PRICE CONTRACTS. PRINCIPAL REASON FOR FIXED-PRICE POLICY IS LACK OF QUALIFIED IRAQI ACCOUNTANTS TO FOLLOW COST-PLUS CONTRACTS. AS LIMITED OFFICIAL USE

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THE GOI COMPETENCE IN ACCOUNTING IMPROVES, GOVERNMENT WILL BE MORE WILLING TO INCLUDE ESCALATION CLAUSES IN CONTRACTS AND MOVE AWAY FROM FIXED-PRICE CONCEPT.

9. DR. QUTAIBA AL-KHAYATT HAS A DOCTORATE IN ECONOMICS FROM BAGHDAD UNIVERSITY WHERE HE STUDIED CONTEMPORANEOUSLY WITH PLANNING MINISTER, ADNAN HUSSEIN AL-HAMDANI. DR. QUTAIBA IS GENERALLY REGARDED AS HAMDANI'S PRINCIPAL ASSISTANT IN THE MINISTRY OF PLANNING, WHICH HAS NO OFFICIALLY DESIGNATED DEPUTY MINISTER. IN HIS LATE 30'S, DR. QUTAIBA SPEAKS GOOD ENGLISH AND IS REPORTEDLY A STRONG BAATHIST PARTY MEMBER.

10. COMMENT: BOTH MINISTRY OF PLANNING AND MINISTRY OF TRADE OFFICIALS HAVE GRANTED LOGSTANDING USINT REQUESTS FOR APPOINTMENTS IN PAST TWO WEEKS. (BAGHDAD 699 SUMMARIZED INTERVIEW WITH MINISTRY OF TRADE OFFICIAL.) UNDOUBTEDLY PRINCIPAL REASON FOR GRANTING INTERVIEWS AT THIS TIME WAS TO PRESENT IRAQI VIEWS ON BOYCOTT. WITH THE EXCEPTION OF DR. QUTAIBA'S HINT OF SOME FLEXIBILITY ABOUT THE APPLICATION OF IRAQI BOYCOTT REGULATIONS TO HIGH TECHNOLOGY, BIG TICKET ITEMS AND TO MAJOR PROJECTS, BOTH OFFICIALS TOOK STANDARD IRAQI HARDLINE. DR. QUTAIBA'S HINT, IF IT WERE PURPOSEFUL, MAY HAVE BEEN MADE SO AS NOT TO DISCOURAGE US FIRMS FROM BIDDING ON IRAQI MAJOR PROJECTS. IRAQIS OBVIOUSLY WOULD LIKE TO ENCOURAGE AS MUCH COMPETITION AS POSSIBLE.

11. CONCERNING THE IRAQI FIVE YEAR DEVELOPMENT PLAN, DR. QUTAIBA MAINLY CONFIRMED INFORMATION WE HAD PREVIOUSLY OBTAINED FROM OTHER SOURCES. MAJOR NEW

ELEMENT IS HIS SUGGESTION OF SPECIFIC AREAS IN WHICH
THE GOI WOULD LIKE TO ATTRACT US COMPANIES.
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